A2075-20.4F
4/92

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1991 AMA Survey On International Management

A Research Report published exclusively for corporate members of the American Management Association

AMA Research Reports
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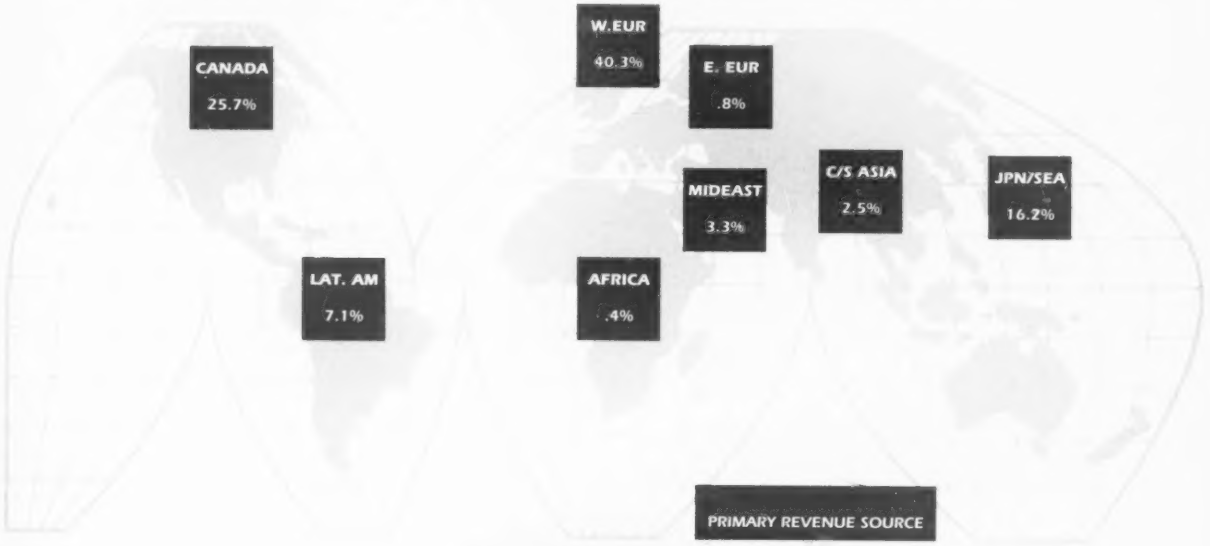
International Management

Globalism is the key word of the 1990s, but organizations that operate in the global economy must deal with many issues that differ in kind and in scope from the domestic scene. Setting priorities is a daunting task, and as global operations expand the problems increase in lockstep.

With this survey, AMA research set out to discover those matters that demand the international manager's greatest attention. Our questionnaire listed sixty distinct issues; respondents checked those they deem "very important" at present. We defined a "very important" issue as "one that demands significant management attention or investment, or that represents a potentially serious challenge to efficient operations."

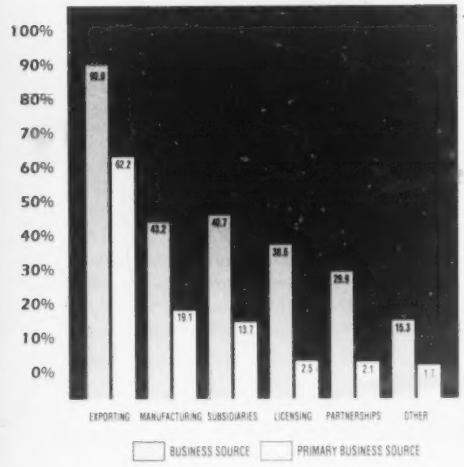
Because the corporate view often differs from the local one, we asked whether each issue was considered "very important" by headquarters **and /or** operating units. We also asked respondents to list three issues they currently consider **most** important. The tabulated responses appear on pages 7 and 8.

Nearly 250 U.S.-based manufacturers participated in this survey. Together, their reach is impressive: 47 percent derive revenues from each of the global regions indicated below, and 62 percent have operations in all four major regions: Western Europe, Canada, Latin America, and the Far East.



Summary of Key Findings

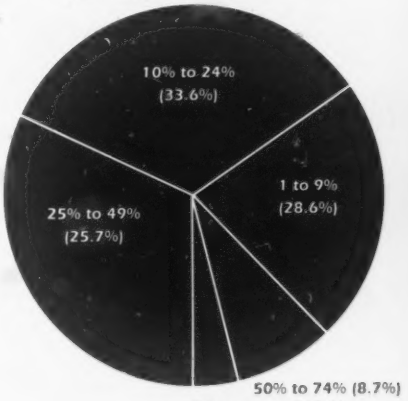
BUSINESS SOURCES OF INTERNATIONAL REVENUE



Business Revenues & Structure: The largest share of international revenues comes from exporting goods and materials. Export is the primary source of international revenue for a majority of respondents, and the **sole** source for 27%. The smaller the company, the greater the role of exports in its international operations.

As international operations account for a greater share of total revenues, overseas manufacturing and subsidiary operations begin to rival exports as a source of those revenues, and trans-oceanic trade grows.

PCT OF REVENUES DERIVED FROM INTERNATIONAL OPERATIONS



STRUCTURE OF INTERNATIONAL BUSINESS

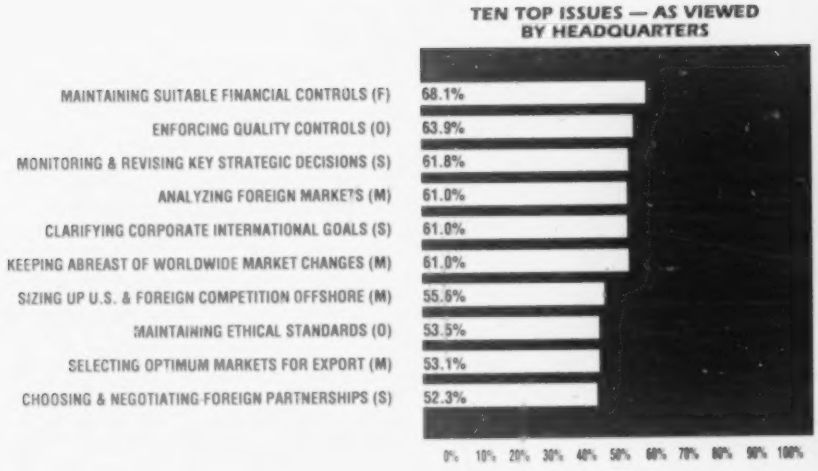
Larger companies are more likely to feature international divisions whose departments (marketing, human resources, etc.) are distinct from their domestic counterparts, while smaller firms more frequently organize by worldwide functions.

Though they were not identified or grouped as such on the questionnaire, each of the sixty listed issues fit into one of five categories: **strategic** (S), **finance** (F), **marketing** (M), **operational** (O), or **human resources** (H).

Top Issues, Organization-Wide: Of the issues most frequently cited as "very important" by headquarters, operating units, or both, four of the top five were marketing functions. Ninety-eight percent of respondent firms saw at least one marketing issue as "very important;" six percent so identified **all ten** marketing issues on the list.

TEN TOP ISSUES — AS VIEWED BY ENTIRE ORGANIZATION

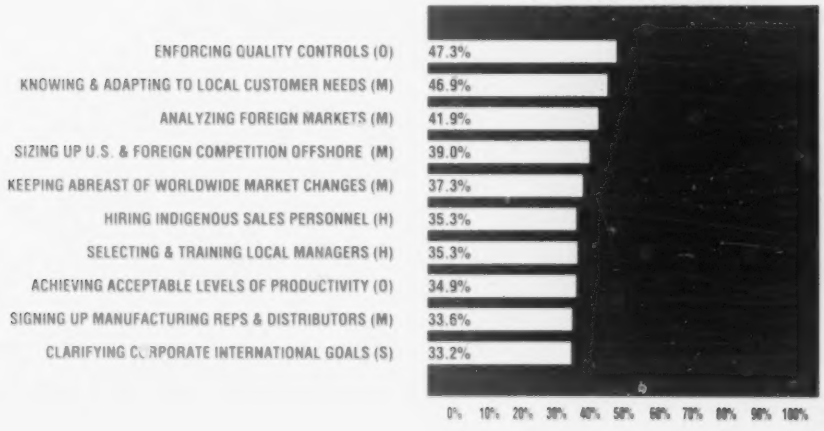
Top Issues at Headquarters: Strategic issues vie with marketing matters as top international concerns at corporate headquarters, but a finance issue leads the list. "Maintaining suitable financial controls" ranked 22nd among the concerns of operating units, but first at headquarters.



Top Issues At Operating Units: Human resources issues, which failed to make the top ten at headquarters, appear twice among the leading concerns of operating units.

Selecting, training, and compensating U.S. nationals for overseas posts rank low, but developing local talent is a major problem, especially among firms with foreign subsidiaries. Ninety-three percent of the companies that draw their primary international revenues from subsidiary operations said that "selecting and training local managers" was a major concern, compared with just 41% of all others.

TEN TOP ISSUES — AS VIEWED BY OPERATING UNITS



Most Important Issues: Asked "Which three issues do you regard as **most** important?", respondents concentrated heavily on marketing and strategic concerns.

- 54% listed at least one marketing issue among the three most important;
- 51%, at least one strategic issue;
- 22%, at least one operational issue;
- 20%, at least one finance issue; and
- 12%, at least one human resources issue.

For eight percent of respondent firms, all three of the "most important" issues were in the marketing category.

TEN ISSUES MOST FREQUENTLY LISTED AMONG MOST IMPORTANT

	SEEN AS VERY IMPORTANT BY ORGANIZATION	RANK IN CATEGORY	RANK AMONG ALL ISSUES	SEEN AS VERY IMPORTANT BY HEADQUARTERS	RANK IN CATEGORY	RANK AMONG ALL ISSUES	SEEN AS VERY IMPORTANT BY OPERATING UNITS	RANK IN CATEGORY	RANK AMONG ALL ISSUES	LISTED AMONG THREE MOST IMPORTANT ISSUES	RANK IN CATEGORY	RANK AMONG ALL ISSUES
STRATEGIC ISSUES												
CLARIFYING CORPORATE INTERNATIONAL GOALS	71.8%	1	8	61.0%	10	4	33.2%	1	10	24.9%	1	2
MONITORING & REVISING KEY STRATEGIC DECISIONS	69.3%	2	9	61.8%	3	3	27.0%	3	18	10.8%	3	7
DIRECTING THE STATESIDE EXPORT FUNCTION	67.6%	3	10	49.0%	9	14	26.6%	5	21	2.5%	7	24
CHOOSING & NEGOTATING FOREIGN PARTNERSHIPS	60.2%	4	14	52.3%	5	10	19.1%	9	37	9.5%	4	9
CHOOSING METHODS FOR ENTRY	59.9%	5	15	49.1%	11	13	20.1%	7	33	14.1%	2	4
ASSESSING REGIONAL POLITICAL/ECONOMIC RISKS	59.8%	6	16	42.3%	7	18	29.9%	2	13	0.8%	13	42
PRIORITIZING & SCHEDULING COUNTRIES FOR ENTRY	52.3%	7	22	39.4%	1	20	21.2%	6	31	3.7%	5	18
OVERSEEING THE CHANGING NEEDS OF SUBSIDIARIES	43.2%	8	29	31.1%	2	30	19.9%	8	35	0.8%	11	43
OPTIMIZING TWO-WAY COMMUNICATION WITH PARENT	42.7%	9	30	32.0%	4	29	27.0%	4	19	1.7%	9	31
DETERMINING THE BEST DEGREES OF DECENTRALIZATION	31.5%	10	45	25.3%	6	38	12.0%	11	49	2.1%	8	26
RATIONALIZING FLOW OF PRODUCTS AMONG DIFFERENT UNIT	27.8%	11	47	19.1%	8	50	15.8%	10	41	0.8%	12	44
MAKING ACQUISITIONS ABROAD	27.4%	12	48	23.2%	12	43	8.7%	13	55	3.3%	6	20
SITING AND BUILDING NEW PLANTS ABROAD	20.3%	13	54	14.5%	13	52	10.4%	12	52	1.2%	10	36
ANY STRATEGIC ISSUE:	97.5%			93.0%			66.0%			51.5%		
FINANCE ISSUES												
MAINTAINING SUITABLE FINANCIAL CONTROLS	73.4%	1	6	68.1%	1	1	26.1%	1	22	6.6%	1	10
HANDLING FLUCTUATIONS IN CURRENCY & INTEREST RATES	59.8%	2	17	47.3%	2	17	26.1%	2	23	4.6%	3	14
PRICING INTRACOMPANY TRANSACTIONS	48.1%	3	24	36.9%	4	22	24.9%	3	27	0.0%	12	55
ARRANGING LOCAL FINANCIAL AND CREDIT ABROAD	46.5%	4	27	34.4%	6	25	21.6%	4	30	2.9%	4	21
CONTROLLING ASSETS WORLDWIDE	46.1%	5	28	41.1%	3	19	12.5%	8	47	1.2%	6	32
AGREEING ON TIME FRAMES FOR PROFITS	41.9%	6	34	36.5%	5	23	19.9%	5	34	1.7%	5	27
ADMINISTERING DIVERSE TAX REQUIREMENTS	39.8%	7	37	34.0%	7	26	12.5%	7	46	0.4%	8	45
SUSTAINING FINANCIAL SUPPORT DURING DOWNSIZING	32.4%	8	44	24.1%	9	42	14.5%	6	43	0.8%	7	37
REPATRIATING OR REINVESTING OFFSHORE PROFITS	27.0%	9	49	24.9%	8	39	5.8%	11	57	5.0%	2	12
COSTING OUT CORPORATE CONTRIBUTIONS TO UNITS	24.1%	10	50	20.3%	10	48	9.5%	9	53	0.0%	11	54
INTEGRATING GLOBAL COMPUTER SYSTEMS	23.6%	11	51	19.1%	11	49	9.1%	10	54	0.4%	10	46
SUPERVISING BLOCKED FUNDS, AS IN SOME LCDS	16.6%	12	58	13.3%	12	54	5.0%	12	60	0.4%	9	47
ANY FINANCE ISSUE:	90.9%			88.0%			58.9%			19.5%		

	SEEN AS VERY IMPORTANT BY ORGANIZATION	RANK IN CATEGORY	RANK AMONG ALL ISSUES	SEEN AS VERY IMPORTANT BY HEADQUARTERS	RANK IN CATEGORY	RANK AMONG ALL ISSUES	SEEN AS VERY IMPORTANT BY OPERATING UNITS	RANK IN CATEGORY	RANK AMONG ALL ISSUES	LISTED AMONG THREE MOST IMPORTANT ISSUES	RANK IN CATEGORY	RANK AMONG ALL ISSUES
MARKETING ISSUES												
ANALYZING FOREIGN MARKETS	85.1%	1	1	61.0%	2	5	41.9%	2	3	24.9%	1	1
KNOWING & ADAPTING TO LOCAL CUSTOMER NEEDS	81.7%	2	2	50.6%	6	12	46.9%	1	2	9.5%	4	8
KEEPING ABREAST OF WORLDWIDE MARKETING CHANGES	80.5%	3	4	61.0%	1	6	37.3%	4	5	12.0%	3	6
SIZING UP U.S. AND FOREIGN COMPETITION OFFSHORE	74.7%	4	5	55.6%	3	7	39.0%	3	4	6.2%	5	11
SIGNING UP MANUFACTURERS' REPS & DISTRIBUTORS	73.4%	5	7	51.9%	5	11	33.6%	5	9	15.8%	2	3
SELECTING OPTIMUM MARKETS FOR EXPORT	66.8%	6	11	53.1%	4	9	26.6%	8	20	3.3%	8	19
PROTECTING TRADE SECRETS FROM PIRACY	60.2%	7	13	47.7%	7	16	27.8%	7	17	4.6%	7	15
TAILORING ADS & PROMOTIONS TO REGIONAL MARKETS	49.4%	8	23	26.6%	10	36	29.9%	6	15	1.7%	10	29
COPING WITH UNFAIR TRADE RESTRICTIONS	47.3%	9	25	37.8%	8	21	20.7%	10	32	5.0%	6	13
SELECTING & NEGOTATING WITH LICENSEES	42.3%	10	31	32.4%	9	27	17.0%	11	38	2.5%	9	23
OBTAINING LOCAL MARKETING SERVICES	39.4%	11	38	21.2%	11	47	22.8%	9	29	0.8%	11	41
DEALING WITH HOST COUNTRIES' PRICE CONTROLS	29.1%	12	46	16.6%	12	51	16.6%	12	39	0.0%	12	59
ANY MARKETING ISSUE:	98.3%			93.4%			66.8%			53.9%		
OPERATIONAL ISSUES												
ENFORCING QUALITY CONTROLS	81.3%	1	3	63.9%	1	2	47.3%	1	1	13.7%	1	5
MAINTAINING ETHICAL STANDARDS	65.1%	2	12	53.5%	2	8	31.1%	3	11	1.2%	5	35
ACHIEVING ACCEPTABLE LEVELS OF PRODUCTIVITY	52.7%	3	21	36.1%	3	24	34.9%	2	8	2.1%	3	25
PROCURING NEEDED MATERIALS & SUPPLIES ABROAD	41.9%	5	33	24.1%	7	41	26.1%	5	24	4.6%	2	16
COMPLYING WITH LOCAL LEGAL & OWNERSHIP REQUIREMENTS	41.9%	4	32	27.0%	5	35	25.3%	6	26	0.4%	6	50
FACING UNEXPECTED LOCAL OPERATING CRISES	40.8%	6	35	21.3%	8	45	29.9%	4	14	0.4%	9	51
EXCHANGING IDEAS & TECHNOLOGIES AMONG LOCALITIES	38.6%	7	40	25.7%	6	37	24.5%	7	28	0.4%	7	53
PROMULGATING THE CORPORATE CULTURE ABROAD	35.3%	8	42	29.9%	4	33	10.8%	11	51	1.7%	4	30
MANAGING WITH MANDATED EMPLOYEE PARTICIPATION	23.2%	9	52	13.7%	9	53	14.1%	8	45	0.4%	8	52
COPING WITH LOCAL ANTI-MULTINATIONAL HOSTILITY	20.3%	10	55	10.8%	11	58	12.4%	9	48	0.0%	11	60
TAKING PRECAUTIONS AGAINST TERRORISM	17.4%	11	57	11.6%	10	55	11.2%	10	50	0.4%	10	49
ANY OPERATIONAL ISSUE:	94.2%			88.0%			67.2%			21.6%		
HUMAN RESOURCES ISSUES												
GENERATING COMPANYWIDE LOYALTY & MOTIVATION	58.9%	1	18	49.0%	1	15	29.5%	4	16	1.7%	3	28
HIRING INDIGENOUS SALES PERSONNEL	55.2%	2	19	32.0%	2	28	35.3%	2	6	1.2%	4	33
SPEAKING & UNDERSTANDING LOCAL LANGUAGES & CULTURE	53.9%	3	20	30.3%	4	32	31.1%	3	12	2.5%	2	22
SELECTING & TRAINING LOCAL MANAGERS	47.3%	4	26	24.5%	6	40	35.3%	1	7	4.2%	1	17
HIRING & TRAINING FOREIGN TECHNICAL EMPLOYEES	40.3%	5	36	21.2%	8	46	25.7%	5	25	1.2%	5	34
APPRAISING PERFORMANCE OF MANAGERS ABROAD	39.0%	6	39	28.2%	5	34	19.1%	6	36	0.8%	7	39
PLANNING SYSTEMATIC MANAGER DEVELOPMENT/SUCCESSION	36.9%	7	41	30.3%	3	31	14.5%	9	44	0.8%	8	38
COMPENSATING FOREIGN MANAGERS	32.7%	8	43	22.3%	7	44	15.3%	8	42	0.4%	9	48
DEALING WITH UNIONS AND LABOR LAWS ABROAD	22.8%	9	53	10.4%	11	59	15.8%	7	40	0.8%	6	40
SELECTING & TRAINING U.S. MANAGERS FOR OVERSEAS	18.3%	10	56	11.2%	9	56	8.7%	10	56	0.0%	10	56
PROMOTING & TRANSFERRING FOREIGN MANAGERS	15.3%	11	59	10.8%	10	57	5.8%	11	58	0.0%	11	58
COMPENSATING U.S. NATIONALS OVERSEAS	12.9%	12	60	9.1%	12	60	5.4%	12	59	0.0%	12	57
ANY HUMAN RESOURCES ISSUE:	88.4%			78.4%			63.1%			12.0%		

RESEARCH

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About this Survey

About This Survey: The 1991 AMA questionnaire on international management was mailed in September 1991 to international managers who are AMA members or work in AMA-member companies. The sample of 241 U.S.-based manufacturing firms presents the following statistical profile:

Category and Standard Industrial Code (SIC)

- Food and Kindred Products (20) 3.3%
- Apparel and Products from Fabrics (23) 3.7%
- Furniture and Fixtures (25) 3.7%
- Chemicals and Allied Products (28) 4.6%
- Rubber and Plastics Products (30) 4.2%
- Fabricated Metal Products (34) 10.0%
- Industrial & Commercial Machinery (35) 21.2%
- Electronic & Electrical Equipment (36) 10.0%
- Transportation Equipment (37) 4.2%
- Intstrumentation, Medical & Optical Goods (38) 15.4%
- Other and Miscellaneous Manufacturing Industries 20.0%

Annual Sales

- Under $10 million 20.8%
- $10-$49 million 8.2%
- $50-$249 million 27.4%
- $250-$499 million 6.6%
- $500 million or more 6.2%
- Not Reported 0.8%